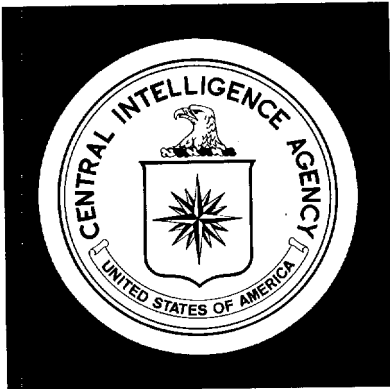


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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

Secret

Nº 041

8 November 1972

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Approved For Release 2003/08/05 : CIA-RDP79T00975A023100100001-3

Approved For Release 2003/08/05 : CIA-RDP79T00975A023100100001-3

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No. 0268/72
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PERU-US: The stage may be set for further seizures of unlicensed US tuna boats during the season that opened this week.

The boats have fished untroubled for more than a year in the 200-mile territorial seas claimed by Peru, but the passage of a largely procedural amendment to the US Fishermen's Protective Act has brought forth a Peruvian tirade against the entire law. In addition, the Peruvians are impatient with what they see as US stalling on negotiations for at least an interim settlement of the problem. The mandatory one-year suspension of the Foreign Military Sales program caused by the last seizures expired on 30 March, but no substantial sales have yet been concluded.

Peru can turn elsewhere for military equipment and reportedly has been offered Soviet military hardware on attractive terms. The prospect of another suspension of US military sales may not be enough to offset heavy pressure to seize unlicensed boats that is likely to arise when the presence of foreign flag vessels becomes common knowledge. [REDACTED]

[REDACTED]

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FRANCE: Paris is adopting a new aid policy toward its restive African client states.

Under the leadership of new Secretary of State for Cooperation Billecocq, a significant re-direction in policy toward Francophone Africa has emerged over the last three months. The new policy centers on a broad, long-term program for assistance on both a country and a regional basis. Financial assistance next year will increase 15 percent over the 1972 level. The number of French technical advisers and teachers will be reduced and Africans will be trained to replace them. Earlier, an investment guarantee program had also been established to encourage private industrial development.

While France will remain the major source of aid for Francophone Africa, it will encourage other donors to complement French assistance. At the recent EC summit, France pressed community members to recognize their responsibilities to the less developed world and, in particular, to the EC's associated states, most of which are African. Paris, however, has shown no enthusiasm to encourage the EC as a unit to assume a greater aid burden in Africa or elsewhere because it does not want to relinquish control over its sphere of influence.

The new program is designed to demonstrate increased French flexibility and pragmatism in adapting to changing conditions in Africa. Billecocq has publicly claimed the need for a new style in Franco-African relations for some time. Over the past year, France has been under increasing pressure from some states in Francophone Africa to renegotiate the 12-year-old cooperation accords that govern their working relationship. Paris has been receptive at least to discussions, recognizing that revision of the accords is inevitable.

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The re-orientation of assistance accents President Pompidou's public reaffirmation of continuing French interest in Africa. Pompidou is scheduled to visit Togo and Upper Volta later this month. This is the third of four visits that he will make to the area.

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ITALY: The Socialist Party congress opening tomorrow will provide a measure of the party's attitude toward rejoining the government.

Although the Socialists and their former center-left allies increased their combined share of the vote in the May parliamentary elections, the Christian Democrats, Social Democrats, and Liberals formed a centrist coalition government that omitted the Socialists. The Socialists' exclusion resulted chiefly from the sharp leftward drift reflected in their electoral call for "advanced equilibriums"--a term generally interpreted as signifying a closer alignment of the Socialists with the Communists and government acceptance of Communist support in parliament.

The Socialist leadership is split among several camps with the two largest groups directly opposed on the central issue of the party's relationship to the Communists. One of these groups, thought to hold a slight edge, wants to retreat from the "advanced equilibriums" position in hopes of setting the stage for an early Socialist re-entry into the governing coalition. The other group opposes any retreat, reasoning that the narrow centrist coalition will inevitably collapse and that the Socialists will then be able to rejoin the government on their own terms.

Several outside influences will be operative at the congress. Some delegates may be swayed by the fact that a number of prominent Christian Democratic leaders, including Aldo Moro and Emilio Colombo, are receptive to Socialist re-entry. [redacted]

[redacted] the Communists have shifted course and now favor a revived center-left as the surest way to prevent consolidation of power by the Andreotti government. Finally, prominent Christian Democratic, Social

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Democratic, and Republican leaders have raised the possibility of adding the Socialists to the current coalition. Some Socialists may be tempted, but it would be difficult for the party to recant its long-standing united opposition to any partnership with the conservative Liberal Party. [REDACTED]

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LAOS: The month-old peace talks in Vientiane have yet to register any substantive progress as both sides mark time waiting for Prime Minister Souvanna's return later this week from abroad and for further developments in the Vietnam negotiations. Government and Lao Communist negotiators continue to use their weekly sessions to discuss minor procedural matters and to exchange recriminations on some key issues. The Lao Communists have concentrated much of their fire against Souvanna's claims that his government is still the provisional government of national union set up by the 1962 accords. Government spokesmen, meanwhile, denounce the North Vietnamese presence in Laos. [REDACTED]

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HONG KONG: The Crown Colony has been unsuccessful in its efforts to negotiate an early agreement to extend its sterling guarantee with the UK beyond the expiration date of September 1973. Hong Kong, which holds almost all of its reserves in sterling, fears that London may refuse to renew the agreement which guarantees that the value of its reserves will be maintained despite any shifts in the pound. The Colony holds almost one third of all international sterling and would be unable to divest itself of the sterling reserve without severely reducing its value. London has indicated that it does not want to negotiate separately with Hong Kong but prefers an agreement with all sterling countries. Most of these countries, however, do not share Hong Kong's strong desire to maintain reserves in sterling and prefer to retain an option to switch their smaller volumes of sterling to currencies whose values might rise. They wish, therefore, to see what happens to the pound before deciding whether to get out of sterling or seek a new guarantee agreement. [REDACTED]

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URUGUAY: The new finance minister took a first step to attack the country's critical economic problems by sharply raising the officially set cattle price. The average 42-percent price increase paid to producers for live cattle is meant to induce cattlemen to sell their stock through legal channels and end widespread cattle smuggling to Brazil. The move probably will be only partly successful because Brazilian prices are still as much as one-third higher. Unless smuggling can be stemmed, Uruguay will continue to suffer from the severe balance-of-payments problems that have plagued the Bordaberry administration since it took office. [REDACTED]

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ITALY: Central bank head Guido Carli has called for an incomes policy to curb inflation, which is currently running at an annual rate of about six percent. Carli recommended wage and price restraints agreeable to government, business, and trade unions as an alternative to monetary restraints that would endanger economic recovery. The government, however, is unlikely to propose either a statutory or voluntary incomes policy. Provincial attempts at statutory price controls have failed, and voluntary restraints would be unlikely without greater wage concessions than the unions are likely to cede. Current labor contract negotiations affecting almost half the industrial labor force will set wage gains for the next three years, which trade unions would not forego without economically costly agitation. [REDACTED]

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